

# Congress of the United States

## House of Representatives

Washington, DC 20515

September 26, 2003

## ESTABLISH CERTAINTY FOR STATES AND BUSINESSES!

### COSPONSOR THE BUSINESS ACTIVITY TAX SIMPLIFICATION ACT

#### THE PROBLEM

The Supreme Court has ruled that a State cannot impose a tax on an out-of-state business unless that business has a "substantial nexus" with the taxing State. With the expansion of the Internet and telecommunications technologies, interstate business activities have become commonplace. With these interstate activities has come confusion as to when States are able to collect income taxes from out-of-state companies conducting certain activities within their jurisdictions. Jurisdictions are increasingly defining "substantial nexus" differently, which is subjecting businesses to a hodge-podge of tax rules with which they must comply and, in some circumstances, **taxation without representation**. If this confusion remains, it will have a chilling effect on the entire economy as tax burdens, compliance costs, litigation, and uncertainty escalate.

#### THE SOLUTION

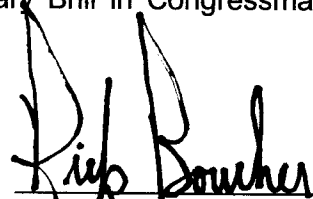
The Business Activity Tax Simplification Act will establish definite, specific standards to govern when businesses should be obliged to pay business activity taxes to jurisdictions. By establishing a clear "**physical presence**" test, this legislation will ensure that only those businesses that have employees or property physically present within a jurisdiction will be subjected to business activity taxes in that jurisdiction.

The Business Activity Tax Simplification Act will ensure fairness, minimize litigation, and create the kind of **legally certain and stable business climate** that encourages businesses to make investments, expand interstate commerce, grow the economy and **create new jobs**. At the same time, this legislation will ensure that States and localities are fairly compensated when they provide services to businesses with a physical presence within their boundaries.

We plan to introduce the Business Activity Tax Simplification Act next week. The deadline for signing on as an original cosponsor of the Business Activity Tax Simplification Act is Wednesday, October 1, 2003, at 10:00am. To cosponsor this important legislation, or to get more information, please contact Branden Ritchie in Congressman Bob Goodlatte's office at x55431, or Hillary Brill in Congressman Rick Boucher's office at x53861.



Bob Goodlatte  
Member of Congress



Rick Boucher  
Member of Congress